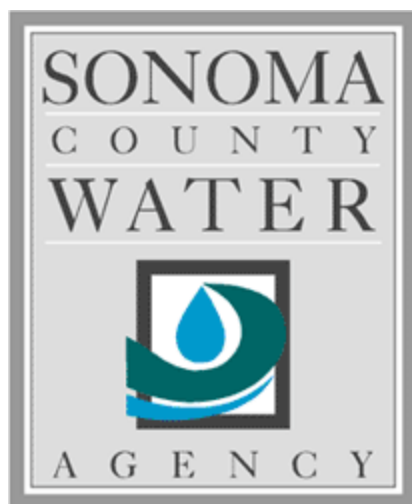


Continuing Disclosure Annual Report  
For  
Fiscal Year Ending  
June 30, 2002



\$15,680,000  
Sonoma County Water Agency  
Water Revenue Bonds  
2003 Series A  
Priced: December 11, 2002  
Settled: January 7, 2003

**CUSIP Number 835577**

March 2003

## Name and CUSIP Number of Bonds

Name of Issuer:	<u>Sonoma County Water Agency</u>
Obligated Person(s):	<u>Mr. Krishna Kumar</u>
Name of Bond Issue:	<u>Water Revenue Bonds, 2003 Series A</u>
Date of Issuance:	<u>January 7, 2003</u>
Date of Official Statement:	<u>December 11, 2002</u>

CUSIP Number:	<u>835577-EF0</u>
CUSIP Number:	<u>835577-EG8</u>
CUSIP Number:	<u>835577-EH6</u>
CUSIP Number:	<u>835577-EJ2</u>
CUSIP Number:	<u>835577-EK9</u>
CUSIP Number:	<u>835577-EL7</u>
CUSIP Number:	<u>835577-EM5</u>
CUSIP Number:	<u>835577-EN3</u>
CUSIP Number:	<u>835577-EP8</u>
CUSIP Number:	<u>835577-EQ6</u>
CUSIP Number:	<u>835577-ER4</u>

CUSIP Number:	<u>835577-ES2</u>
CUSIP Number:	<u>835577-ET0</u>
CUSIP Number:	<u>835577-EU7</u>
CUSIP Number:	<u>835577-EV5</u>
CUSIP Number:	<u>835577-EW3</u>
CUSIP Number:	<u>835577-EX1</u>
CUSIP Number:	<u>835577-EY9</u>
CUSIP Number:	<u>835577-EZ6</u>
CUSIP Number:	<u>835577-FA0</u>
CUSIP Number:	<u>835577-FB8</u>
CUSIP Number:	<u>835577-FF9</u>
CUSIP Number:	<u>835577-FL6</u>

# Table of Contents

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INTRODUCTION .....	1
HISTORIC WATER DELIVERIES .....	1
LARGEST CUSTOMERS .....	2
OUTSTANDING INDEBTEDNESS .....	2
HISTORIC OPERATING RESULTS AND DEBT SERVICE COVERAGE .....	3
PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE .....	4
RECONCILING SCHEDULE .....	5
NOTICE EVENTS .....	6

## APPENDICES

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**Prepared By**

**Sonoma County Water Agency**

**Santa Rosa, California**

**[www.scwa.ca.gov](http://www.scwa.ca.gov)**

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## **Introduction**

The purpose of this report is to provide information to the Nationally Recognized Municipal Securities Information Repositories (NRMSIR) in order to comply with the provisions contained in the Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”) in connection with the issuance of \$15,680,000 Sonoma County Water Agency Water Revenue Bonds 2003 Series A between the Sonoma County Water Agency (the “Agency”) and Union Bank of California (the “Trustee”). The Disclosure Agreement was executed and delivered by the Agency and the Trustee for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15-c2-12(b)(5).

## **Historic Water Deliveries**

According to Agency records, over the past five Fiscal Years (1997-98 through 2001-02), it has delivered to its customers on average 59,767 acre-feet of water per year. The following table summarizes historic water deliveries in acre-feet for Fiscal Years 1997-1998 through 2001-2002.

**SONOMA COUNTY WATER AGENCY  
HISTORIC WATER DELIVERIES (ACRE-FEET)  
Fiscal Year  
(June 30) Total Water**

1998	54,121
1999	59,682
2000	61,567
2001	62,023
2002	61,443
<hr/>	
5-Year Average	59,767

Source: The Agency

## **Largest Customers**

The Agency provides metered water service to all of its Water Contractors. The Agency's ten largest customers are listed in the following table.

### **SONOMA COUNTY WATER AGENCY TEN LARGEST CUSTOMERS (FY 2001- 02)**

	<u>Customer Name</u>	<u>Annual Dollars</u>	<u>% of Total</u>
1	City of Santa Rosa	\$8,623,565	36.8%
2	City of Petaluma	3,970,328	17.0%
3	Marin Municipal Water District	3,355,306	14.3%
4	North Marin Water District	3,052,570	13.0%
5	City of Rohnert Park	1,139,930	4.9%
6	Valley of the Moon Water District	1,077,542	4.6%
7	City of Sonoma	925,954	4.0%
8	City of Cotati	273,461	1.2%
9	Cal-American Water Co. - Larkfield	223,787	1.0%
10	Forestville Water District	180,681	0.8%

Source: The Agency

## **Outstanding Indebtedness**

The table below summarizes the Agency's outstanding debt for the Transmission System as of September 30, 2002.

### **SONOMA COUNTY WATER AGENCY WATER TRANSMISSION SYSTEM OUTSTANDING LONG TERM DEBT**

	<u>Maturity Date</u>	<u>Interest Rate(s)</u>	<u>Authorized &amp; Issued</u>	<u>Outstanding September 30, 2002</u>
1971 Revenue Bonds (Series 1993A)	February 1, 2003	2.5 - 5.375%	\$10,060,000	\$410,000 *
State Revolving Fund Loan	January 1, 2023	2.79%	\$15,858,989	\$4,226,429

Source: The Agency.

\* Final maturity defeased from Agency funds simultaneously with the issuance of the 2003 Series A Bonds.

### State Revolving Fund Loan

In March 2002, the Agency entered into a loan contract (the "State Loan") with the State of California, Department of Water Resources for funding the construction of Collector No. 6, an element of the earlier Russian River-Cotati Intertie Project. The State Loan was amended October 2002 and is for \$15,858,989, of which \$4,226,429 has been availed of as of June 30, 2002. The balance of the loan amount is being currently drawn as construction progresses. The term of the State Loan is for 20 years and the annual interest rate is 2.7934%. Principal, interest, and reserve payments begin no later than one year from the scheduled completion of the project. It is anticipated that the principal, interest and reserve payments would begin in Fiscal Year 2003-04. Beginning Fiscal Year 2003-04, the average annual payment would be approximately \$1,150,995, including principal, interest, and reserve fund contribution through and including 2013 and beginning 2014 and through and including 2024 approximately \$1,040,354.52. The State Loan is a Parity Obligation.

### Historic Operating Results and Debt Service Coverage

The following table sets forth a summary of the Transmission System operating results of the Agency for the last five Fiscal Years. Governmental Funds (including General and Special Tax Revenue Funds), Fiduciary Funds, and Enterprise Funds in relating to the Transmission System (Russian River Project Fund, Recycled Water Fund, and Sanitation Zone Funds) are not pledged for payment of the principal and interest on the 2003 Series A Bonds and are excluded from the following two tables. The information set forth in the following table has been derived by the Agency from its audited financial statements for such Fiscal Years.

#### **HISTORICAL DEBT SERVICE COVERAGE (Fiscal Year Ending June 30)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>Operating Revenues:</b>					
Water Sales (1)	\$15,593,791	\$17,440,564	\$18,889,672	\$20,169,620	\$22,631,154
Installation Charges	130,862	103,878	44,851	88,751	52,187
Power Sales (2)	527,254	664,969	564,629	763,653	1,171,459
Total Operating Revenues	16,251,907	18,209,411	19,499,152	21,022,024	23,854,800
Other Revenues (Int. Earnings)	2,260,714	1,711,550	1,825,214	2,245,459	839,453
Total Gross Revenues	18,512,621	19,920,961	21,324,366	23,267,483	24,694,253
Maintenance & Operations Costs (3)	11,356,176	12,708,857	16,547,927	18,968,396	16,829,739
Net Revenues	7,156,445	7,212,104	4,776,439	4,299,087	7,864,514
Principal & Interest Payments	\$2,273,916	\$2,237,898	\$1,296,669	\$1,300,201	\$1,384,120
Debt Service Coverage	3.1	3.2	3.7	3.3	5.7

Source: The Agency. For the years 1998 - 2002, audited financial statements 1998 - 2002

(1) Includes Maintenance & Operations Charges and Revenue Bond Charges.

(2) The hydroelectric project was financed by the Water Transmission Enterprise fund and power sales revenues are pledged for payment of the 2003 Series A Bonds.

(3) Excludes non-cash expense of depreciation

## **Projected Operating Results and Debt Service Coverage**

Estimated projected operating results (on a cash basis) for the Agency for the current and next four Fiscal Years are set forth below. Certain assumptions have been made by the Agency in the development of the projections. Many of these assumptions are reflected in the footnotes accompanying the projections. While the Agency believes its assumptions are reasonable, there can be no assurance that the assumed conditions will in fact occur. The Agency's projections may be affected (favorably or unfavorably) by unforeseen future events. Therefore, the results projected below cannot be assured.

### **SONOMA COUNTY WATER AGENCY WATER TRANSMISSION SYSTEM PROJECTED DEBT SERVICE COVERAGE (Fiscal Year Ending June 30)**

	<u>2003 (1)</u>	<u>2004 (2)</u>	<u>2005 (2)</u>	<u>2006 (2)</u>	<u>2007 (2)</u>
<b>Operating Revenues:</b>					
Maintenance & Operations Charges	\$22,656,400	\$23,562,656	\$24,505,162	\$25,485,369	\$26,504,783
Revenue Bond Charges (3)	1,280,600	2,258,665	2,456,232	2,454,794	2,453,058
Installation Charges	25,000	26,000	27,040	28,122	29,246
Power Sales (4)	900,000	936,000	973,440	1,012,378	1,052,873
Total Operating Revenues	24,862,000	26,783,321	27,961,874	28,980,663	30,039,960
Other Revenues (Int. Earnings)	680,000	708,032	736,353	765,807	796,440
Total Gross Revenues	25,542,000	27,491,353	28,698,227	29,746,470	30,836,400
Maintenance & Operations Costs (5)	22,851,000	23,765,040	24,715,642	25,704,267	26,732,438
Net Revenues	2,691,000	3,726,313	3,982,585	4,042,203	4,103,962
Principal & Interest Payment - Existing (6)	1,352,800	1,150,995	1,150,995	1,150,995	1,150,995
Principal & Interest Payment - 2003 Series A	\$0	\$813,061	\$984,859	\$983,609	\$982,099
Debt Service Coverage Ratio	2	1.9	1.9	1.9	1.9

Source: The Agency

(1) Proposed Fiscal Year 2002-03 Budget, including technical adjustments. Rate increase of 3.6% effective July 1, 2002.

(2) Revenues increased by 4% annually. Expenses inflated by 4% annually.

(3) Includes estimated annual debt service payments and an additional 15% as authorized by the current water supply agreement.

(4) The hydroelectric project was financed by the Water Transmission Enterprise fund and power sales revenues are pledged for payment of the 2003 Series A Bonds.

(5) Includes water production, water operation and maintenance, general and administrative, and other expenses. Excludes "non-cash" expense of depreciation.

(6) The 1971 Revenue Bonds (Series 1993 A) were paid off in FY 2002-03; The other outstanding debt is a State Revolving Fund loan in the amount of \$15,858,989, of which \$4,226,429 has been availed as of June 30, 2002. The annual debt service of \$1,150,995 for the state loan assumes full utilization of that loan.

## **Reconciling Schedule**

The audited financial statements of the Agency include both the Russian River Project Fund as well as the Recycled Water Fund within the "Total Water Transmission Fund" category. Since these two funds are non-Transmission System funds based on their sources of revenue (override property taxes, charges in-lieu of override property taxes, and contributions from the Agency General Fund) the funds have been excluded from table 5. Table 7 reconciles Table 5 to the audited financial statements of the Agency.

### **SONOMA COUNTY WATER AGENCY WATER TRANSMISSION FUND (INCLUDING R.R. PROJECTS AND RECYCLED WATER FUNDS) RECONCILING SCHEDULE**

	(Fiscal Year)				
	1998	1999	2000	2001	2002
<b>Operating Revenues:</b>					
Operating Rev. - Water	\$16,251,907	\$18,209,411	\$19,499,152	\$21,022,024	\$23,854,800
Operating Revenue - Russian River Projects/Recycled	7,847	6,023	1,758	516,900	1,217,701
Total Operating Revenues	16,259,754	18,215,434	19,500,910	21,538,924	25,072,501
<b>Operating Expenses:</b>					
Operating Exp. - Water (M&O)	11,356,176	12,708,857	16,547,927	18,968,396	16,829,739
Operating Exp. - Water (Depreciation)	2,005,737	1,982,536	2,132,218	2,137,746	2,373,002
Operating Expenses - RR Projects/Recycled	1,669,706	1,416,337	2,023,374	2,280,133	3,700,011
Total Operating Expenses	15,031,619	16,107,730	20,703,519	23,386,275	22,902,752
Operating Income (Loss)	1,228,135	2,107,704	(1,202,609)	(1,847,351)	2,169,749
<b>Non-Operating Revenues:</b>					
Non-Oper. Rev.- Water (Interest Earnings)	2,260,714	1,711,550	1,825,214	2,245,459	839,453
Non-Oper. Rev./(Exp.)- Water (Other)	(943,001)	(210,347)	(138,311)	1,148,351	0
Non-Operating Rev. - RR Projects/Recycled	755,914	948,550	1,693,834	506,034	230,837
Total Non-Operating Revenues	2,073,627	2,449,753	3,380,737	3,899,844	1,070,290
Oper. Transfers In - RR Projects/Recycled	0	2,300,000	2,000,000	2,000,000	800,000
Net Income (Loss)	\$3,301,762	\$6,857,457	\$4,178,128	\$4,052,493	\$4,040,039

Source: Audited financial statements 1998 - 2002



## **Notice Events**

The following is a list of Notice Events. There are no listed Notice Events related to the Agency to report at this time.

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bond holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds;
11. Rating changes on the Bonds;
12. Failure to provide annual financial information as required.

## **Appendix A:**

### **NRMSIRs**

The Continuing Disclosure Annual Report will be disseminated by Digital Assurance Certification LLC (“the Dissemination Agent”) to the following NRMSIRs:

#### **Bloomberg Municipal Repositories**

100 Business Park Drive  
Skillman, NJ 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
E-mail: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)  
Web Site: [www.bloomberg.com/markets/muni](http://www.bloomberg.com/markets/muni)

#### **Interactive Data**

Attn: NRMSIR  
100 Williams Street  
New York, NY 10038  
Phone: (212) 771-6899  
Fax: (212) 771-7390  
E-mail: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)  
Web Site: [www.Interactivedata.com](http://www.Interactivedata.com)

#### **Standard & Poor’s J.J. Kenny Repository**

55 Water Street, 45<sup>th</sup> Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
E-mail: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)  
Web Site: [www.jjkenny.com/jjkenny/pser](http://www.jjkenny.com/jjkenny/pser)

#### **DPC Data Inc.**

One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
E-mail: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)  
Web Site: [www.dpcdate.com](http://www.dpcdate.com)

## **Appendix B:**

### **Audited Financial Statements**